

**REPORT OF THE AUDIT OF THE
MENIFEE COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2013**

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Members of the Board
Menifee County School District
Frenchburg, Kentucky

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County School District, Frenchburg, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 35 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Menifee County School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis are required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

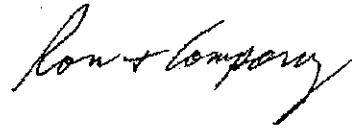
The introductory section statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the Menifee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Menifee County School Districts' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross and Company", is written over a horizontal line.

Ross and Company, PLLC
November 14, 2013

Menifee County School District
Frenchburg, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2013

As management of the Menifee County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District governmental activities and business-type activities was \$788,096 and the ending balance was \$305,501.
- The general fund balance decreased \$482,595.
- The General Fund had \$8,649,615 in revenue, which primarily consisted of the SEEK program, property taxes, utility and motor vehicle taxes. There was \$9,132,210 in general fund expenditures excluding \$21,066 in transfers to technology and community education, and \$177,166 in debt service payments.
- During fiscal 2013, the district felt a major impact from decreased SEEK funding, increased costs for fuel and utilities as well as increasing matching costs for teacher retirement and county retirement. Our enrollment has steadily declined over the last few years also contributing to less SEEK funding. We have disbursed all of our federal stimulus funds. All of these contributing elements explicate the dramatic decrease in fund balance. In the last few years our district retained a larger than normal fund balance due to federal stimulus funds. These factors have made our district watchful of the subsequent general fund budget for the next fiscal year. We have cut several positions for the 2013-14 school year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of activities presents information showing how the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities.) The governmental activities of the

MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS (MD & A)
JUNE 30, 2013
(Continued)

District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are the day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 and 13.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statement can be found on pages 20 through 34.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$952,288 as of June 30, 2013.

A portion of the District's Net Position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS (MD & A)
JUNE 30, 2013
(Continued)

Net Position for the period ending June 30, 2013 and 2012, respectively:

ASSETS	2013	2012
Total current assets	\$ 1,340,647	\$ 4,003,541
Total non-current assets	9,635,820	10,064,676
Total assets	<u>\$ 10,976,467</u>	<u>\$ 14,068,217</u>
LIABILITIES		
Total current liabilities	\$ 1,334,721	\$ 952,842
Total non-current liabilities	8,689,458	9,331,919
Total liabilities	<u>10,024,179</u>	<u>10,284,761</u>
NET POSITION		
Invested in capital assets, net of related debt	379,473	139,141
Restricted	500,016	2,699,840
Unrestricted	72,799	944,474
Total Net Position	<u>952,288</u>	<u>3,783,455</u>
Total liabilities and Net Position	<u>\$ 10,976,467</u>	<u>\$ 14,068,217</u>

The following table presents a summary of General Fund revenue and expense for the fiscal year ended June 30, 2013.

Revenues	General Fund
From local sources	\$ 1,207,519
State sources	7,286,397
Federal - indirect	86,577
Other	8,178
Fund Transfers	60,945
Total revenues	<u>\$ 8,649,616</u>
Expenditures	
Instruction	\$ 5,112,299
Support services	
Student	726,422
Instruction staff	240,271
District administration	402,900
School administration	439,642
Business	355,251
Plant operation and maintenance	883,549
Student transportation	769,367
Food service operation	1,385
Community service activities	2,892
Debt service	177,166
Fund transfers	21,066
Total expenditures	<u>9,132,210</u>
Excess (deficit) of revenues over expenditures	<u>\$ (482,594)</u>

MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS (MD & A)
JUNE 30, 2013
(Continued)

Capital Assets

At the end of the 2013 fiscal year, the District had invested \$15,596,508 in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net decrease (including additions and deductions of \$428,856.

District Capital Assets (net of Depreciation)			
	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,540,672	\$ -	\$ 1,540,672
Land Improvements	1,236,972	-	1,236,972
Buildings & Improvements	68,580,057	-	68,580,057
Equipment	1,261,703	484,391	1,746,094
Vehicles	2,359,260	-	2,359,260
Construction in Progress	9,879,674	-	9,879,674
	<u>\$ 84,858,338</u>	<u>\$ 484,391</u>	<u>\$ 85,342,729</u>

Debt

The Menifee County School District Finance Corporation refinanced most of the bond issue debt due to lower interest rates that would provide a cost savings for our district. We finance our transportation fleet through KISTA.

OUTSTANDING DEBT AT YEAR-END

GOVERNMENTAL ACTIVITIES		
	2012	2013
General Obligation Bonds	\$ 8,805,000	\$ 8,310,000
Capital Lease	1,120,535	946,347
Total Obligations	\$ 9,925,535	\$ 9,25,6347

General Fund Revenue/Expenditures

The majority of revenue was derived from state funding 77%, federal funding 10% and local funding making up 13% of the total revenue.

The greater amount of revenue is spent on instruction expenditures. This makes up 55% of the budget. The instruction function includes the site based decision making (SBDM) expenditures for staff and supplies. The student support services make up 7.5% which includes attendance services, guidance counseling, health services, psychological testing, speech, and hearing services. The instructional staff support makes up 3.5% which includes staff support personnel and librarians. The district administration support makes up 3% which includes workers comp, sick leave pay for retirees, contingency, property insurance, tax collection fees, and superintendent's office expenses. The school administration support makes 4% which includes principals, high school/middle school guidance and secretary's expenses. The business support services

MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS (MD & A)
JUNE 30, 2013
(Continued)

makes up 3% which includes the finance office and other central office expenditures. The plant operation and management makes up 7.25%. The student transportation makes up 5.75%. Debt Service 8.25% and other activities have less than 2.75% impact.

Fund 2 Revenue/Expenditures

The majority of revenue that was derived from federal sources was 63% with the state revenue making up 32% and the remaining 5% coming from local sources and earnings on investments.

Fund 310 and Fund 320 Revenue/Expenditures

Fund 310 is the capital outlay fund and fund 320 in the building fund (FSPK). State funding makes up the Capital Outlay and the building fund is made up of state and local revenue. During the FY13 Capital Outlay was used to pay some maintenance repair costs as well as property insurance. The Building Fund was used to make bond payments on existing debt.

Fund 360 Revenue/Expenditures

During FY13 the Meniffee County School District has been involved in a construction project for the Meniffee County High School addition. We expect for the project to be complete early in FY14.

Fund 51 Revenue/Expenditures

This is the food service fund. The revenue is received from local, state and federal monies. The largest being federal which makes up 83.5% of the budget.

BUDGETARY IMPLICATIONS

- In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency.
- During fiscal 2013, the district felt a major impact from decreased SEEK funding, increased costs for fuel and utilities as well as matching costs for teacher retirement and county retirement. We have disbursed all of our federal stimulus funds. All of these contributing elements explicate the dramatic decrease in fund balance. In the last few years our district retained a larger than normal fund balance due to federal stimulus funds. These factors have made our district watchful of the subsequent general fund budget for the next fiscal year and led to cutting several non-essential positions for the 2013-2014 school year.

Questions regarding this report should be directed to the **Finance Officer, Lori Franklin** at (606) 768-8015 or by mail at Meniffee County Board of Education, P.O. Box 110, Frenchburg, KY 40322.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 501,840	\$ 390	\$ 502,230
Investments	200,000	-	200,000
Other receivables	318,308	43,008	361,316
Inventory	-	9,290	9,290
Bond Issuance Cost	267,811	-	267,811
Total current assets	1,287,959	52,688	1,340,647
Non-current Assets			
Land	50,600	-	50,600
Land Improvements	272,052	-	272,052
Buildings and improvements	8,843,993	-	8,843,993
Furniture and equipment	3,140,747	221,480	3,362,227
Construction in progress	3,067,636	-	3,067,636
Less: Accumulated depreciation	(5,769,895)	(190,793)	(5,960,688)
Total non-current assets	9,605,133	30,687	9,635,820
Total assets	\$ 10,893,092	\$ 83,375	\$ 10,976,467
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 31,195	\$ 17	\$ 31,212
Deferred revenue	294,427	1,339	295,766
Interest payable	300,379	-	300,379
Current portion of long-term obligations	490,000	-	490,000
Current portion of KISTA obligations	157,530	-	157,530
Current portion of sick-leave	59,747	-	59,747
Other current liabilities	87	-	87
Total current liabilities	1,333,365	1,356	1,334,721
Non-current Liabilities			
Non-current portion of long-term obligation	7,820,000	-	7,820,000
Non-current portion of KISTA obligation	788,817	-	788,817
Non-current portion of accrued sick leave	80,641	-	80,641
Total non-current liabilities	8,689,458	-	8,689,458
Total liabilities	\$ 10,022,823	\$ 1,356	\$ 10,024,179
NET POSITION			
Invested in capital assets, net of related debt	\$ 348,786	\$ 30,687	\$ 379,473
Restricted for:			
Capital projects	388,937	-	388,937
Other	59,747	51,332	111,079
Unrestricted	72,799	-	72,799
Total net position	870,269	82,019	952,288
Total liabilities and net position	\$ 10,893,092	\$ 83,375	\$ 10,976,467

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 6,030,370	\$ -	\$ 855,661	\$ -	\$ (5,174,709)	\$ -	\$ (5,174,709)
Support services:							
Student	986,979	-	236,520	-	(750,459)	-	(750,459)
Instruction staff	465,510	-	207,659	-	(257,851)	-	(257,851)
District administrative	461,123	-	5,578	-	(455,545)	-	(455,545)
School administrative	442,626	-	-	-	(442,626)	-	(442,626)
Business	401,366	-	28,394	-	(372,972)	-	(372,972)
Plant operation and maintenance	1,145,217	-	13,900	-	(1,131,317)	-	(1,131,317)
Student transportation	912,557	-	58,615	-	(853,942)	-	(853,942)
Facilities acquisition and construction	2,141,681	-	-	-	(2,141,681)	-	(2,141,681)
Community service activities	234,375	-	231,483	-	(2,892)	-	(2,892)
Other	29,425	-	-	-	(29,425)	-	(29,425)
Interest on long-term debt	541,324	-	-	-	(541,324)	-	(541,324)
Total governmental activities	13,792,553	-	1,637,810	-	(12,154,743)	-	(12,154,743)
Business-type Activities							
Food service	901,060	61,640	757,169	-	-	(82,251)	(82,251)
Total business-type activities	901,060	61,640	757,169	-	-	(82,251)	(82,251)
Total school district	\$ 14,693,613	\$ 61,640	\$ 2,394,979	\$ -	\$ (12,154,743)	\$ (82,251)	\$ (12,236,994)
General Revenues							
					\$ 636,807	\$ -	\$ 636,807
Property taxes					45,954	-	45,954
Delinquent property tax					133,268	-	133,268
Motor vehicle taxes					309,638	-	309,638
Utility taxes					6,590	-	6,590
Other taxes					57,433	738	58,171
Investment earnings					8,139,648	-	8,139,648
State aid formula grants					6,718	-	6,718
Loss on sale of fixed assets					69,033	-	69,033
Miscellaneous					9,405,089	738	9,405,827
Total general revenues							
					(2,749,654)	(81,513)	(2,831,167)
Change in net position					3,619,923	163,532	3,783,455
Net position - beginning					\$ 870,269	\$ 82,019	\$ 952,288
Net position - ending							

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

As of June 30, 2013

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Total Governmental</u>
ASSETS				
Cash and cash equivalents	\$ 19,901	\$ 93,002	\$ 388,937	\$ 501,840
Investments	200,000	-	-	200,000
Other receivables	116,731	201,577	-	318,308
Total assets	<u>\$ 336,632</u>	<u>\$ 294,579</u>	<u>\$ 388,937</u>	<u>\$ 1,020,148</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 31,044	\$ 151	\$ -	\$ 31,195
Deferred revenue	-	294,427	-	294,427
Other current liabilities	87	-	-	87
Total liabilities	<u>31,131</u>	<u>294,578</u>	<u>-</u>	<u>325,709</u>
Fund Balances				
Restricted:				
Future Construction	\$ -	\$ -	\$ 388,937	\$ 388,937
Sick Leave Payable	59,747	-	-	59,747
Assigned:				
Unassigned:	245,755	-	-	245,755
Total fund balances	<u>305,502</u>	<u>-</u>	<u>388,937</u>	<u>694,439</u>
Total liabilities and fund balances	<u>\$ 336,633</u>	<u>\$ 294,578</u>	<u>\$ 388,937</u>	<u>\$ 1,020,148</u>

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance-Governmental Funds	\$ 694,439
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:

Cost of capital	\$ 12,307,392	
Construction in progress	3,067,636	
Accumulated depreciation	(5,769,895)	
Bond Issuance Cost	267,811	9,872,944

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Long-term Obligations	(8,310,000)	
KISTA Obligations	(946,347)	
Interest payable	(300,379)	
Long-term sick leave	<u>(140,388)</u>	<u>(9,697,114)</u>

Total Net Position-Governmental Funds	<u>\$ 870,269</u>
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See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2013

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$ 590,686	\$ -	\$ -	\$ 92,075	\$ 682,761
Motor vehicle taxes	133,268	-	-	-	133,268
Utilities taxes	309,638	-	-	-	309,638
Other taxes	6,590	-	-	-	6,590
Earnings on investments	57,433	134	-	-	57,567
Other local revenues	109,904	76,790	(40,872)	-	145,822
State sources					
SEEK	5,423,712	-	-	385,808	5,809,520
On Behalf Payments	1,819,100	-	-	349,775	2,168,875
Other	43,585	512,045	31,091	-	586,721
Federal - indirect	86,577	1,048,841	-	-	1,135,418
Other revenues	8,178	-	-	-	8,178
Total revenues	8,588,671	1,637,810	(9,781)	827,658	11,044,358
Expenditures					
Instruction	5,112,299	876,727	-	-	5,989,026
Support services					
Student	726,422	236,520	-	-	962,942
Instruction staff	240,271	207,659	-	-	447,930
District administration	402,900	5,578	-	-	408,478
School administration	439,642	-	-	-	439,642
Business	355,251	28,394	-	-	383,645
Plant operation and maintenance	883,549	13,900	-	-	897,449
Student transportation	769,367	58,615	-	-	827,982
Food service operation	1,385	-	-	-	1,385
Facilities acquisition and construction	-	-	2,141,681	-	2,141,681
Community service activities	2,892	231,483	-	-	234,375
Debt service	177,166	-	-	796,868	974,034
Total expenditures	9,111,144	1,658,876	2,141,681	796,868	13,708,569
Excess (deficit) of revenues over expenditures	(522,473)	(21,066)	(2,151,462)	30,790	(2,664,211)
Other Financing Sources (Uses)					
Operating transfers in	60,945	21,066	-	447,093	529,104
Operating transfers out	(21,066)	-	-	(508,038)	(529,104)
Total other financing sources (uses)	39,879	21,066	-	(60,945)	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(482,594)	-	(2,151,462)	(30,155)	(2,664,211)
Net change in fund balances	(482,594)	-	(2,151,462)	(30,155)	(2,664,211)
Fund balance, July 1, 2012	788,096	-	2,540,399	30,155	3,358,650
Fund balance, June 30, 2013	\$ 305,502	\$ -	\$ 388,937	\$ -	\$ 694,439

See accompanying notes to financial statements.

MENIFEE COUNTY PUBLIC SCHOOLS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

Total net change in fund balances- governmental funds	\$ (2,664,211)
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.	(423,838)
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In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold.	(1,459)
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments.	641,148
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In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned.	(64,816)
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Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds.	<u>(236,478)</u>
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Change in Net Position - Governmental Funds	<u>\$ (2,749,654)</u>
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See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2013

ASSETS	<u>Food Service Fund</u>
Current Assets	
Cash and cash equivalents	\$ 390
Other receivables	43,008
Inventory	9,290
Total current assets	<u>52,688</u>
Noncurrent Assets	
Furniture and equipment	221,480
Less: Accumulated depreciation	(190,793)
Total noncurrent assets	<u>30,687</u>
Total assets	<u><u>\$ 83,375</u></u>
 LIABILITIES	
Current Liabilities	
Accounts payable	\$ 17
Deferred Revenue	1,339
Total liabilities	<u>1,356</u>
 NET POSITION	
Invested in capital assets, net of related debt	30,687
Restricted for:	
Inventory	9,290
New Assets	42,042
Total net position	<u>82,019</u>
Total liabilities and net position	<u><u>\$ 83,375</u></u>

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2013

	Food Service Fund
Operating Revenues	
Service sales	\$ 30,504
Other operating revenue	31,136
Total operating revenues	<u>61,640</u>
Operating Expenses	
Salaries and wages	415,203
Professional and contract services	6,655
Supplies and materials	436,577
Depreciation	6,724
Other operating expenses	35,901
Total operating expenses	<u>901,060</u>
Operating income (loss)	<u>(839,420)</u>
Non-operating revenues (expenses)	
Federal grants	622,410
State grants	134,759
Interest income	738
Total non-operating revenues (expenses)	<u>757,907</u>
Transfers Out	
Net income (loss)	(81,513)
Total net position, July 1, 2012	<u>163,532</u>
Total net position, June 30, 2013	<u>\$ 82,019</u>

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2013

	Food Service Fund
Cash Flows from Operating Activities	
Cash received from sales	\$ (9,920)
Cash received from other activities	31,136
Cash payments to employees for services	(415,203)
Cash payments to suppliers for goods and services	(437,040)
Cash payments for other operating activities	(35,901)
Net cash from operating activities	<u>(866,928)</u>
Cash Flows from Capital Financing Activities	
Acquisition of capital assets	(3,165)
Net cash from capital financing activities	<u>(3,165)</u>
Cash Flows from Noncapital Financing Activities	
Non-operating grants received	757,169
Net cash from noncapital financing activities	<u>757,169</u>
Cash Flows from Investing Activities	
Interest on investments	738
Net cash flows from investing activities	<u>738</u>
Net increase in cash and cash equivalents	(112,186)
Cash and cash equivalents - beginning	<u>112,576</u>
Cash and cash equivalents - ending	<u><u>390</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating income (loss)	(839,420)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Depreciation	6,724
Changes in assets and liabilities:	
Receivables	(41,763)
Inventory	6,175
Accounts payable	17
Deferred Revenue	1,339
Net Cash Provided by Operating Activities	<u><u>\$ (866,928)</u></u>

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2013

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Due from other funds	<u>\$ 45,869</u>
Total assets	<u><u>\$ 45,869</u></u>
LIABILITIES	
Current Liabilities	
Due to school groups	<u>\$ 45,869</u>
Total net position and liabilities	<u><u>\$ 45,869</u></u>

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2013

	<u>Trust/Agency Fund</u>
Additions	
Revenues from student activities	\$ 97,995
Deduction	
Non-instructional expenses	<u>(104,386)</u>
Change in revenues over expenses	(6,391)
Due to school groups - beginning	<u>52,260</u>
Due to school groups - ending	<u><u>\$ 45,869</u></u>

See accompanying notes to financial statements.

MENIFEE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Menifee County School District (District) a five member group, is the level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Menifee County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Menifee County School District Finance Corporation – The Board authorized establishment of the Menifee County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Menifee County Board of Education.

Basis of Presentation

District-wide Financial Statements:

The statement of Net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund – The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund – The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

Building Fund – The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, as applicable. Funds may be used for projects identified in the District's facility plan.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Type

The District utilizes the proprietary fund type to account for the major funds: Food Service. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contributions of USDA commodities on the financial statements, except as required by the Single Audit Act as presented on the Schedule of Expenditures of Federal Awards.

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

On the government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2013, the District did not have a nonspendable fund balance.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$59,747 restricted for sick leave payable in the General Fund and \$388,937 as restricted capital projects in the Construction Fund.

Committed fund balances are those amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District did not have any committed funds at June 30, 2013.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balance also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District did not have any assigned funds at June 30, 2013.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed, and restricted when an expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2013, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$1,074,416 and the combined bank balances totaled \$1,148,534. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2013.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels of risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 3. PROPERTY TAXES

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates (including exonerations) assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.425 per \$100 valuation of real property with a \$.050 exoneration, \$.425 per \$100 valuation for business personal property with a \$.050 exoneration, and \$.492 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

NOTE 4. RETIREMENT PLANS

Kentucky Teachers' Retirement System

The Meniffee County School System contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of the KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions of 14.105%.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

NOTE 4. RETIREMENT PLANS (CONTINUED)

Kentucky Teachers' Retirement System (Continued)

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-employment healthcare benefit, three and one half percent (3.5%) of gross annual payroll of members before July 1, 2008 is contributed. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Menifee County Schools' total payroll for the year was \$5,787,270. The payroll for employees covered under KTRS was \$5,100,615. For the year ended June 30, 2013, the Commonwealth contributed \$590,638 to KTRS for the benefit of participating employees. The School districts contributions to KTRS for the year ending June 30, 2013 were \$88,773 which represents those employees covered by federal programs.

County Employees Retirement System

Plan Description - The County Employees Retirement System (CERS) administered by the Kentucky Retirement System (KRS) is a cost-sharing multiple-employer defined benefit public employee retirement system. The plan provides benefit pension plan coverage for substantially all regular non-certified, full-time employees of each county and Public Schools, and any additional eligible local agencies electing to participate in the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

CERS through KRS provides for retirement, disability, death, and survivor and health benefits of its members. The KRS annual financial report and other required disclosure information is available by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by calling (800) 928-4646.

Funding Status and Progress - The Kentucky Retirement System administers CERS based upon employer matching contributions from each county, Public Schools and eligible local agencies electing to participate in the System. The Board of Trustees of Kentucky Retirement Systems determines contribution rates each biennium. The following are CERS non-hazardous contribution rates for the year ended June 30, 2013 member is 5% of their salaries. Participation after September 1, 2008 is at the rate of 6%. The District is required to contribute 19.55%.

The contribution requirement for CERS for the year ended June 30, 2013, was \$416,252, which consisted of \$328,447 from the District and \$87,805 from employees.

Additional information and historical trend information can be obtained from the Teachers Retirement System of Kentucky and the County Employee Retirement System of Kentucky.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2013, the estimate for those employees with 27 or more years of service is \$140,388, in which \$59,747 is short-term and \$80,641 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

Capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of Net Position and in the respective funds.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 or more, including all workstations, and has a useful life of more than one year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	40
Land Improvements	20
Technology Equipment	5
Vehicles	5-14
Food Service Equipment	7
Furniture and Fixtures	7
Other	10

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MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

Governmental Assets

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Cost				
Land	\$ 50,600	\$ -	\$ -	\$ 50,600
Land Improvements	272,052	-	-	272,052
Buildings & Improvements	8,843,993	-	-	8,843,993
Technology Equipment	1,765,005	25,677	(250,692)	1,539,990
Other	213,806	-	(2,000)	211,806
Vehicles	1,388,951	-	-	1,388,951
Construction in Progress	3,067,636	-	-	3,067,636
Totals at historical cost	<u>15,602,043</u>	<u>25,677</u>	<u>(252,692)</u>	<u>15,375,028</u>
Less: Accumulated Depreciation				
Land Improvements	166,172	10,715	-	176,887
Buildings & Improvements	2,916,441	230,226	-	3,146,667
Technology Equipment	1,515,794	111,359	(249,233)	1,377,920
Other	156,624	9,646	(2,000)	164,269
Vehicles	816,082	88,070	-	904,152
Total accumulated depreciation	<u>5,571,113</u>	<u>450,016</u>	<u>(251,233)</u>	<u>5,769,895</u>
NET	<u>\$ 10,030,930</u>	<u>\$ (424,339)</u>	<u>\$ (1,459)</u>	<u>\$ 9,605,133</u>

Business Assets

Cost				
Technology Equipment	\$ 4,528	\$ -	\$ -	\$ 4,528
General Equipment	217,287	3,165	(3,500)	216,952
Totals at historical cost	<u>221,815</u>	<u>3,165</u>	<u>(3,500)</u>	<u>221,480</u>
Less: Accumulated Depreciation				
Technology Equipment	4,528	-	-	4,528
General Equipment	183,041	6,724	(3,500)	186,265
Total accumulated depreciation	<u>187,569</u>	<u>6,724</u>	<u>(3,500)</u>	<u>190,793</u>
NET	<u>\$ 34,246</u>	<u>\$ (3,559)</u>	<u>\$ -</u>	<u>\$ 30,687</u>

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Menifee County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The issue date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2012			2013
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
Issue of 1993	100,000	2/1/2013	5.0 - 6.2%	\$ 5,000	\$ -	\$ 5,000	\$ -
Issue of 2003	2,110,000	5/1/2023	2.0 - 4%	40,000	-	40,000	-
Issue of 2008R	970,000	2/1/2018	2.25 - 3.3%	630,000	-	95,000	535,000
Issue of 2009R	635,000	2/1/2019	2.20 - 3.70%	475,000	-	50,000	425,000
Issue of 2011	5,450,000	5/1/2031	2.0 - 4.5%	5,335,000	-	125,000	5,210,000
Issue of 2012R	2,345,000	5/1/2023	.50 - 2.15%	2,320,000	-	180,000	2,140,000
Totals				<u>\$ 8,805,000</u>	<u>\$ -</u>	<u>\$ 495,000</u>	<u>\$ 8,310,000</u>

The District has entered into "participation agreements" with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purpose of assisting local school districts in meeting school construction needs. The table on page 31 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State's biennial budget.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District including amounts to be paid by the Commission. The Schedule of Total Bonded Debt Maturities follows on page 31.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

**MENIFEE COUNTY SCHOOLS
SCHEDULE OF DEBT PAYMENTS
AS OF JUNE 30, 2013**

YEAR	MENIFEE COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2014	\$ 284,021	\$ 157,389	\$ 205,979	\$ 106,505	\$ 753,894
2015	286,864	153,233	208,136	101,881	750,114
2016	291,514	148,890	213,486	97,174	751,064
2017	300,380	141,459	209,620	91,823	743,282
2018	304,953	133,695	205,047	86,612	730,307
2019	320,551	125,766	194,449	81,552	722,318
2020	324,464	117,809	150,536	75,628	668,437
2021	330,071	109,949	154,929	71,238	666,187
2022	340,165	101,588	159,835	66,330	667,918
2023	339,928	92,553	165,072	61,095	658,648
2024	216,805	83,468	143,195	55,679	499,147
2025	226,437	75,338	148,563	50,309	500,647
2026	235,494	66,280	154,506	44,366	500,646
2027	244,160	56,625	160,840	38,031	499,656
2028	252,565	46,614	167,435	31,437	498,051
2029	265,449	35,880	174,551	24,321	500,201
2030	269,797	24,466	185,203	16,815	496,281
2031	281,385	12,662	193,615	8,713	496,375
TOTAL	\$ 5,115,003	\$1,683,664	\$ 3,194,997	\$1,109,509	\$11,103,173

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MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on capital leases issued by the Menifee County School District to purchase school busses. Current requirements for principal and interest expenditures are accounted for in the General Fund.

The issue date, original amounts of the issue and interest rates are summarized below:

<u>Kista Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	2012			2013	
			<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	
2011	285,311	5/1/2021	\$ 254,455	\$ -	\$ 31,441	\$ 223,014	
2003	120,204	9/1/2103	11,364	-	11,364	-	
2012	181,055	3/1/2022	181,055	-	19,692	161,363	
2005	171,547	9/1/2015	50,824	-	18,535	32,289	
2006	123,967	9/1/2016	50,100	-	13,038	37,062	
2008	71,710	9/1/2018	43,208	-	7,024	36,184	
2006 2nd	66,754	9/1/2017	34,150	-	6,782	27,368	
2009	158,476	3/1/2019	109,724	-	15,082	94,642	
NMTC	226,067	9/1/2012	-	-	-	-	
2009 3rd	192,067	3/1/2020	150,910	-	17,974	132,936	
2009R	231,660	12/1/2017	163,189	-	24,669	138,520	
2010	91,387	3/1/2020	71,556	-	8,587	62,969	
Total			\$ 1,120,535	\$ -	\$ 174,188	\$ 946,347	

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013:

**MENIFEE COUNTY SCHOOLS
SCHEDULE OF CAPITAL LEASE PAYMENTS
AS OF JUNE 30, 2013**

YEAR	MENIFEE COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTALS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2014	\$ 133,664	\$ 23,666	\$ 23,866	\$ 3,409	184,605
2015	131,263	20,182	26,825	2,862	181,132
2016	116,307	16,507	27,042	2,189	162,045
2017	106,001	13,122	30,806	1,362	151,291
2018	99,086	10,013	29,981	450	139,530
2019	90,114	7,002	-	-	97,116
2020	71,864	4,107	-	-	75,971
2021	42,828	1,908	-	-	44,736
2022	16,700	438	-	-	17,138
TOTAL	\$ 807,827	\$ 96,945	\$ 138,520	\$ 10,272	\$ 1,053,564

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS Offer of Assistance	\$ 21,066
Operating	Capital Outlay	General	Capital Fund Request	60,945
Operating	Building Fund	Debt Service	Bond Payments	374,557
Operating	Capital Outlay	Debt Service	Bond Payments	72,536
Total Transfers				<u>\$ 529,104</u>

NOTE 9. DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance/Net Position. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/Net Position:

General Fund	(\$482,594)
Construction Fund	(\$2,151,462)
Capital Outlay Fund	(\$30,155)
Food Service	(\$81,513)

NOTE 10. RISK MANAGEMENT

Liability Insurance Coverage

The District is exposed to various risks related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District participates in the Kentucky School Districts Insurance Trust Liability Insurance Fund. The District pays an annual premium for coverage.

Health Care Coverage

Full-time employees of the District are covered by the State administered medical insurance plan. The State contributes a variable amount to each employee's account based upon the employee's plan choice. Medical insurance coverage paid by the State on behalf of District employees has been recorded as a revenue and expenditure in the General Fund. Under COBRA, employers are mandated to notify Ceridian Benefits Services of terminated employees. Ceridian Benefit Services then notifies terminated employees of available continuing insurance coverage. Failure to notify Ceridian Benefits Services of employee terminations can put the District at risk of paying the premiums.

Worker's Compensation

The District participates with Kentucky School Boards Insurance Trust. Contributions to the Worker's Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 10. RISK MANAGEMENT (CONTINUED)

Unemployment Insurance

The District obtains unemployment insurance coverage through the Kentucky Board of Educations Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board of Education is the defendant in a number of lawsuits arising principally in the normal course of operations and from alleged acts committed by individual(s) employed by the district and management. The Board is covered by insurance against this type of liability. At this time, the administration is unable to make an evaluation regarding the likelihood of an unfavorable outcome or any possible financial implication to the Board of Education.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations did not reflect this change in policy because Kentucky Department of Education directed not to budget for on behalf payments.

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2013 was \$2,297,620. These payments were recorded as follows:

General Fund	\$	1,819,101
Food Service		128,744
Debt Service		349,775
Total	\$	<u>2,297,620</u>

MENIFEE COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 543,000	\$ 543,000	\$ 590,686	\$ 47,686	8.78%
Motor vehicle taxes	135,000	135,000	133,268	(1,732)	-1.28%
Utility taxes	300,000	300,000	309,638	9,638	3.21%
Other taxes	-	-	6,590	6,590	100.00%
Earnings on investments	12,500	12,500	57,433	44,933	359.46%
Other local revenues	80,676	80,676	109,904	29,228	36.23%
State Sources					
SEEK	5,425,800	5,425,800	5,423,712	(2,088)	-0.04%
Other	41,000	41,000	1,862,685	1,821,685	4443.13%
Federal-Indirect	60,000	60,000	86,577	26,577	100.00%
Other	6,000	6,000	8,178	2,178	36.30%
Inter-fund transfers	-	-	60,945	60,945	100.00%
Beginning Balance	878,740	788,096	788,096	-	0.00%
Less On-Behalf Payments			(1,819,100)	(1,819,100)	
TOTAL REVENUES	7,482,716	7,392,072	7,618,612	226,540	3.06%
EXPENDITURES					
Instructional	3,725,825	3,697,825	5,112,299	(1,414,474)	-38.25%
Student services					
Student	638,974	633,974	726,422	(92,448)	-14.58%
Instructional staff	209,785	199,785	240,271	(40,486)	-20.26%
District administrative	342,975	342,975	402,900	(59,925)	-17.47%
School administrative	392,770	392,770	439,642	(46,872)	-11.93%
Business	297,695	297,695	355,251	(57,556)	-19.33%
Plant operation and maintenance	911,090	894,546	883,549	10,997	1.23%
Student transportation	555,447	550,447	769,367	(218,920)	-39.77%
Community Services	1,010	1,010	2,892	(1,882)	-186.34%
Debt service	179,450	179,450	177,166	2,284	1.27%
Other	2,695	1,595	1,385	210	13.17%
Inter-fund transfers	25,000	25,000	21,066	3,934	15.74%
Contingency	200,000	175,000	-	175,000	100.00%
Less On-Behalf Payments			(1,819,100)	1,819,100	
TOTAL EXPENDITURES	7,482,716	7,392,072	7,313,110	78,962	1.07%
Excess (Deficit) of Revenues Over Expenditures	\$ -	\$ -	\$ 305,502	\$ 305,502	4.13%

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

MENIFEE COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Earnings on investments	\$ -	\$ 88	\$ 134	\$ 46	52.27%
Other local revenues	45,655	66,319	76,790	10,471	15.79%
Intergovernmental - state	467,468	475,822	512,045	36,223	7.61%
Intergovernmental - Federal	1,004,571	1,167,253	1,048,841	(118,412)	-10.14%
Inter-fund transfers	25,000	21,066	21,066	-	0.00%
TOTAL REVENUES	<u>1,542,694</u>	<u>1,730,548</u>	<u>1,658,876</u>	<u>(71,672)</u>	<u>-4.14%</u>
EXPENDITURES					
Instructional	813,102	793,831	876,727	(82,896)	-10.44%
Student services:					
Student	233,716	243,294	236,520	6,774	2.78%
Instructional staff	181,179	367,599	207,659	159,940	43.51%
District administration	-	20,000	5,578	14,422	72.11%
School administrative	700	-	-	-	0.00%
Business	45,000	32,220	28,394	3,826	11.87%
Plant operation and maintenance	15,600	13,900	13,900	-	0.00%
Student transportation	70,470	70,470	58,615	11,855	16.82%
Community services	182,927	189,234	231,483	(42,249)	-22.33%
TOTAL EXPENDITURES	<u>1,542,694</u>	<u>1,730,548</u>	<u>1,658,876</u>	<u>71,672</u>	<u>4.14%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

MENIFEE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2013

	Building Fund	Capital Outlay Fund	Debt Service Fund	Total Non-major Govt. Funds
Revenues				
From local sources				
Property taxes	\$ 92,075	\$ -	\$ -	\$ 92,075
State sources				
SEEK	282,482	103,326	-	385,808
On Behalf	-	-	349,775	349,775
Total revenues	<u>374,557</u>	<u>103,326</u>	<u>349,775</u>	<u>827,658</u>
Expenditures				
Debt service	-	-	796,868	796,868
Total expenditures	<u>-</u>	<u>-</u>	<u>796,868</u>	<u>796,868</u>
Excess (deficit) of revenues over expenditures	<u>374,557</u>	<u>103,326</u>	<u>(447,093)</u>	<u>30,790</u>
Other Financing Sources (Uses)				
Proceeds from sale of bonds				
Operating transfers in	-	-	447,093	447,093
Operating transfers out	(374,557)	(133,481)	-	(508,038)
Total other financing sources (uses)	<u>(374,557)</u>	<u>(133,481)</u>	<u>447,093</u>	<u>(60,945)</u>
Net change in fund balances	-	(30,155)	-	(30,155)
Fund balance, July 1, 2012	<u>-</u>	<u>30,155</u>	<u>-</u>	<u>30,155</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MENIFEE COUNTY SCHOOL DISTRICT
MENIFEE COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2013

Individual Funds	Cash Balance June 30, 2012	Receipts	Disburse- ments	Transfers In (Out)	Ending Cash and Fund Balance June 30, 2013
General Fund	\$ 263	\$ 1,569	\$ (2,337)	\$ 651	\$ 146
Vending	-	851	-	(796)	55
Faculty Vending	62	55	-	(75)	42
Attendance	141	-	-	-	141
Now-Interest	3	36	-	(25)	14
Textbook	40	258	(29)	-	269
Parking Account	284	250	(197)	(255)	82
Volleyball	246	-	-	-	246
Wrestling	59	291	-	(250)	100
Athletic Concession	124	21,035	(12,914)	(7,660)	585
Baseball Boys	-	2,912	(3,037)	250	125
Basketball Boys	-	11,675	(8,474)	(1,918)	1,283
Basketball Girls	-	9,441	(8,953)	(210)	278
Cross Country	4	146	(104)	110	156
Softball Girls	-	4,902	(5,581)	1,449	770
Track	-	145	(244)	150	51
Golf	392	2,471	(1,425)	-	1,438
Soccer Boys	382	6,019	(5,338)	(50)	1,013
Soccer Girls	-	1,819	(1,840)	320	299
Varsity Cheerleaders	1,741	1,167	(1,287)	-	1,621
FCCLA	1,358	8,305	(10,694)	2,790	1,759
FFA	1,424	24,467	(23,692)	(525)	1,674
Yearbook	1,714	7,314	(10,005)	7,355	6,378
Junior Class	461	8,997	(6,586)	(2,372)	500
Senior Class	1,918	21,847	(23,814)	897	848
Beta Club	43	360	(343)	-	60
F.B.L.A.	312	-	-	-	312
Band Fund	374	1,627	(1,495)	-	506
Special Education	20	229	(228)	-	21
Library	250	25	(316)	138	97
Lost Library Books	777	61	(700)	(138)	-
Academic-Ky Highlands	-	7,594	(7,563)	130	161
F.C.A.	265	-	-	-	265
FFA Dues	570	825	(780)	-	615
FEA Future Educators	55	-	-	-	55
Spanish Class	199	578	(580)	-	197
Student Council	195	2,848	(2,712)	-	331
Technology Fund	4	-	-	-	4
Spirit Club	4	-	-	(4)	-
Cats	368	-	(107)	(60)	201

MENIFEE COUNTY SCHOOL DISTRICT
MENIFEE COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2013

Individual Funds	Cash Balance June 30, 2012	Receipts	Disburse- ments	Transfers In (Out)	Ending Cash and Fund Balance June 30, 2013
Book Club	\$ 416	\$ -	\$ -	\$ -	\$ 416
Start-Up Change	-	500	(600)	100	-
Girls Bk Tornado	855	-	(853)	(2)	-
KASA	-	500	(185)	-	315
KDTC Scholarship	-	150	(150)	-	-
Guidance Account	-	256	(26)	-	230
Y-Club	-	1,400	(1,400)	-	-
Scoreboard	-	200	-	-	200
Total	<u>\$ 15,323</u>	<u>\$ 153,125</u>	<u>\$ (144,589)</u>	<u>\$ -</u>	<u>\$ 23,859</u>

MENIFEE COUNTY SCHOOL DISTRICT
ELEMENTARY SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Schools	Cash	Receipts	Disburse- ments	Cash Balance
	Balance June 30, 2012			And Fund Balance June 30, 2013
Meniffee County				
Meiffee County Elementary	\$ 20,048	\$ 65,205	\$ (68,168)	\$ 17,085
Botts Elementary	32,013	32,212	(35,638)	28,587
Total	<u>\$ 52,061</u>	<u>\$ 97,417</u>	<u>\$ (103,806)</u>	<u>\$ 45,672</u>

MENIFEE COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Program Title</u>	<u>Munis No.</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>	<u>Total By CFDA No.</u>
U. S. DEPARTMENT OF AGRICULTURE		Cluster		
<i>Passed Through Kentucky Department of Education:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program - Child Nutrition Cluster	2030	10.553	\$ 198,074	
National School Lunch Program - Child Nutrition Cluster	2050	10.555	350,851	
Summer Food Program	209x	10.559	20,691	\$ 569,616 **
Child and Adult Care Food Program	208x	10.558	7,624	7,624
<i>Passed Through Kentucky Department of Agriculture:</i>				
<u>Food Distribution Cluster</u>				
Commodity Supplemental Food Program	2010	10.565	36,903	36,903
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>614,143</u>
U. S. DEPT. OF EDUCATION				
<i>Passed Through Kentucky Department of Education:</i>				
<u>Title I Cluster</u>				
Title I: Part A - Improving Basic Programs	3102	84.010	142,983	
Title I: Part A - Improving Basic Programs	3103	84.010	434,259	
Title I - Professional Development - District Improvement	3102D	84.010	26,589	
Title I - Professional Development - District Improvement	3103D	84.010	44,820	
Title I - Parent Involvement	3102M	84.010	4,199	
Title I - Parent Involvement	3103M	84.010	1,318	
Title I - School Improvement Funds	3202	84.010	7,205	661,373
<u>Special Education Cluster</u>				
IDEA B - Private Schools	3371P	84.027	3,611	
IDEA B - BASIC	3373	84.027	240,187	
IDEA B - Preschool	3433	84.173	8,895	252,693 **
Career and Technical Education (Carl D. Perkins)	3482	84.048	590	
Career and Technical Education (Carl D. Perkins)	3483	84.048	13,673	14,263
Eisenhower National Program for Math & Science	5283	84.168	5,579	5,579
Title IV - Elementary School Counseling Program	5324	84.215	6,532	6,532
Title VI: Part B, Subpart 2 - Rural & Low Income Schools	3503	84.358	21,004	21,004
Title II: Part A - High Quality Teachers & Principals	4013	84.367	85,625	85,625
Education Jobs Fund	4411	84.410	2,369	2,369
Race to the Top	4521	84.413	11,513	11,513
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,060,951</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$1,675,094</u>

*Tested as Major Program or Cluster ***

See Accompanying Notes to Schedule of Expenditures of Federal Awards

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the fiscal year ended June 30, 2013

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of the Meniffee County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B. FOOD DISTRIBUTION PROGRAM

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. Commodities awarded and received totaled \$36,903 with the U.S. Department of Agriculture providing \$35,085 and \$1,818 provided by the U.S. Department of Defense.

MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the fiscal year ended June 30, 2013

Section 1. Summary of Auditor's Findings

Financial statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting Yes No

- Material weaknesses identified? X
- Significant deficiencies identified that are not considered to be material weaknesses? X
- Noncompliance material to financial statements noted? X

Federal Awards:

Internal control over major programs Yes No

- Material weakness identified? X
- Significant deficiencies identified that are not considered to be material weaknesses? X None Reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? Yes No
X

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.176	Special Education Cluster

- Dollar threshold used to distinguish between type A and type B programs \$300,000
- Auditee qualified as low-risk auditee? Yes X No _____

MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2013
(Continued)

Section 2. Financial Statement Findings

Current Year Findings:

2013-01 Fixed Assets

Statement of Condition: Fixed Assets are not being recorded properly or timely.

Criteria for Condition: Assets should be booked once the asset is placed into service within the same fiscal year. Assets should be disposed of once the District loses title or possession of the assets, or once they are sold at surplus.

Cause of the Condition: Fixed assets are not being recorded in the same period they are purchased.

Effect of the Condition: Fixed assets are not accurately reported on the annual financial report.

Recommendation

for Correction: Assets should be booked into MUNIS once they are received, and disposed of once they are sold.

Management's Response:

Superintendent will meet with the finance department, technology department and Fixed Asset Manager to reiterate fixed asset policies and to insure that all fixed assets are recorded and booked in a timely manner. The district will make it a priority to correct the status of fixed assets.

Prior Year Findings:

2012-01: Significant Audit Adjustments (Corrected)

2012-02 Bank Reconciliation (Corrected)

2012-03 Fixed Assets (Repeat)

Section 3. Federal Awards Findings and Questionable Costs

Current Year Findings:

No matters were reported

Prior Year Findings:

2012-03: Fixed Assets (Corrected within Federal Awards)

MENIFEE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2013

Financial Statement Findings

2012-01:	Significant Audit Adjustments (Corrected)
2012-02	Bank Reconciliation (Corrected)
2012-03	Fixed Assets (Repeat)

Federal Awards Findings and Questionable Costs

2012-03:	Fixed Assets (Corrected within Federal Awards)
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ROSS & COMPANY, PLLC

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Members of the Board
Menifee County School District
Frenchburg, Kentucky

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organization* the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Menifee County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Menifee County School District's basic financial statements and have issued our report thereon dated November 14, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Menifee County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Menifee County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Menifee County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2013-01.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Menifee County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


Menifee County Public Schools District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. Menifee County Public School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School District, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Ross and Company", is written over a horizontal line.

Ross and Company, PLLC

November 14, 2013

ROSS & COMPANY, PLLC
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Members of the Board
Menifee County School District
Frenchburg, Kentucky

**INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited Menifee County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Menifee County School District's major federal programs for the year ended June 30, 2013. Menifee County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Menifee County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Menifee County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Menifee County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Menifee County School District complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2013.

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Report Internal Control over Compliance

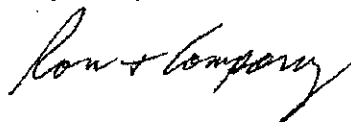
Management of Menifee County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Menifee County School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Menifee County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Ross & Company, PLLC
November 14, 2013

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Frenchburg, Kentucky

RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Menifee County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Menifee County School District's internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 14, 2013. This letter does not affect our report dated November 14, 2013, on the financial statements of the Menifee County School District. The conditions observed are as follows:

Current Year Findings –

2013-02 Fixed Assets [District Wide]

Statement of Condition: Fixed Assets are not being recorded properly or timely.

Criteria for Condition: Assets should be booked once the asset is placed into service within the same fiscal year. Assets should be disposed of once the District loses title or possession of the assets, or once they are sold at surplus.

Cause of the Condition: Fixed assets are not being recorded in the same period they are purchased.

Effect of the Condition: Fixed assets are not accurately reported on the annual financial report.

Recommendation

for Correction: Assets should be booked into MUNIS once they are received, and disposed of once they are sold.

Management's Response: Superintendent will meet with the finance department, technology department and Fixed Asset Manager to reiterate fixed asset policies and to insure that all fixed assets are recorded and booked in a timely manner. The district will make it a priority to correct the status of fixed assets.

MENIFEE COUNTY SCHOOL DISTRICT
RECOMMENDATIONS AND COMMENTS TO MANAGEMENT
(Continued)

2013-02: Handling Cash, (Redbook)

Statement of Condition: It appeared teachers/sponsors held money/checks for a length of time before submitting them to the school treasurer.

Criteria for Condition: All money collected by a teacher/sponsor shall be given to the school treasurer on the day of collection per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Teachers/sponsors held checks before turning them into the treasurer.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for

Correction: Stress to teachers/sponsors that all money should be delivered to school treasurer on date of collection.

Management's Response: An email will be issued to all staff that monies collected must be given to the school treasurer on the date of collection.

2013-03: Fixed Assets, (Redbook)

Statement of Condition: Assets were purchased with activity funds instead of being purchased through the District's PO system.

Criteria for Condition: All items purchased considered to be assets of the district should be reported in the district MUNIS as a fixed asset per Accounting Procedures for Kentucky School Activity Funds, "Redbook," 2008 Edition.

Cause of the Condition: Assets purchased through Activity Funds was not recorded as Fixed Assets by the District.

Effect of the Condition: Fixed Assets are understated at the district level.

Recommendation for

Correction: Make certain school treasurer and principal understand the procedures for purchasing fixed assets. Under the new Redbook 2013 editions, schools are allowed to purchase fixed assets as long as detailed information is forwarded on to the district for proper recording of the asset.

Management's Response: School Administration will be advised that all purchases that fit in the guidelines of fixed assets will be immediately reported to the Fixed Asset Manager.

MENIFEE COUNTY SCHOOL DISTRICT
RECOMMENDATIONS AND COMMENTS TO MANAGEMENT
(Continued)

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations at your convenience.

Prior year comments-

Financial Statement Findings

2012-01: Significant Audit Adjustments (Corrected)
2012-02 Bank Reconciliation (Corrected)
2012-03 Fixed Assets (Repeat)

Federal Awards Findings and Questionable Costs

2012-03: Fixed Assets (Corrected within Federal Awards)

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff this year. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,



Ross & Company, PLLC
November 14, 2013